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ITA/MAC/JDERSTINE

E.O. 12958: DECL: 12/20/2016
TAGS: ECON EFIN PGOV KWBG KCOR IS
SUBJECT: KARNI/AL-MINTAR CROSSING CALL CENTER CONTINUES TO
FOSTER CORRUPTION, DELAYS AND HIGH COSTS

REF: A. TEL AVIV 2301
B. JERUSALEM 4587

Classified By: Acting Principal Officer Thomas Duffy, Reasons 1.4 (b) a
nd (d).

11. (U) This is a joint cable with Embassy Tel Aviv.

12. (S/NF) Summary: Palestinian companies, including several representing U.S. firms, continue to charge that a call center established by the GOI late last year to coordinate the flow of goods through the Karni/al-Mintar crossing fuels corruption, delays shipments and drives up transportation costs. They report -- and GOI officials confirm -- that the call center assigns timeslots to enter the crossing to Israeli truck drivers who then sell their place in line to the highest bidder. The cost of shipping a truckload of goods from the West Bank to Gaza has gone from about USD 300 to almost USD 7,000. When an IDF liaison officer responsible for Israel-Gaza crossings approached the Israeli Airport Authority (IAA) about call center complaints, IAA officials told him that he had no authority to intervene in this matter. He plans to use a letter provided at his request by Embassy FCS when he raises the issue with "relevant authorities." The Embassy has been working with the GOI Ministry of Finance to initiate an investigation of Karni/al-Mintar practices, which are also the subject of discussions under the AMA agenda. Completion of an upgrade project at Karni/al-Mintar has significantly increased the number of containers entering and leaving Gaza. End Summary.

12. (C) Acting Tel Aviv FCS Section Chief, accompanied by ConGen Econoff and two Palestinian businessmen, met December 13 with Colonel Nir Press, Head of the Coordination and Liaison Administration (CLA), Erez Crossing and members of his staff to discuss continuing difficulties plaguing Palestinian companies attempting to ship U.S. products into Gaza through the Karni/al-Mintar crossing. Press had requested the meeting after receiving an Embassy FCS list of U.S. products waiting to enter Karni/al-Mintar for as long as seven months. The focus of most of the discussion was a call center established last year to schedule shipments into Gaza through the Karni/al-Mintar crossing. (Note: The call center is operated by an IAA contractor. End Note.)

Barriers to Trade

¶13. (C) Acting FCS Chief told Press that Palestinian representatives of U.S. companies continue to face three obstacles when attempting to ship goods to Gaza. First, although goods leaving the West Bank are inspected prior to entering Israel, they are subject to additional scrutiny at Karni/al-Mintar before entering Gaza. Israeli products are processed separately and more quickly. Second, the hefty fees charged by Israeli truckers have rendered most West Bank-Gaza trade unprofitable. Third, the call center system lacks transparency and fosters corruption throughout the entire process.

Bidding Up Transport Costs

¶14. (C) Mansour Abu Jamous, Gaza Branch Manager of the West Bank-based National Beverage Company (Coca-Cola bottler) advised that several of NBC's Coca-Cola shipments with a total value of almost USD 200,000 have been delayed as long as seven months. One stalled shipment of 16 pallets recently exceeded the product's expiration date. Abu Jamous asserted that when the call center first opened it dealt almost exclusively with the companies wishing to import or export their products. In recent months, however, the call center has been issuing timeslots to Israeli truckers while ignoring calls from Palestinian companies. Abdullah Zuhayka, a logistics consultant for U.S.-affiliated companies stated that five U.S.-affiliated firms had called the center during a recent four-day period and not one call was answered.

¶15. (C) Abu Jamous and Zuhayka described how, after securing a coveted slot, Israeli truckers sell the use of their trucks

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and place in line to the highest bidder. As a consequence, the cost of shipping a truckload of goods from the West Bank to Gaza has risen from NIS 1,200 (USD 300) to almost NIS 30,000 (USD 7,000), according to Abu Jamous and Zuhayka. Abu Jamous said that a trucker had approached him on December 12 offering to deliver a truckload for NIS 28,000 (USD 6,682), which included the NIS 8,000 (USD 1,909) the trucker had to pay for the timeslot alone. By refusing to pay these excessive amounts, the companies involved, in many instances, must pay to have their products stored in Israeli-owned warehouses near the Karni/al-Mintar crossing. Abu Jamous and Zuhayka suggested an immediate improvement would be to have the call center return to its past practice of dealing directly with exporting companies.

Transparent Process Needed

¶16. (C) In reply to Zuhayka's reiteration of a prior request (ref A.) that U.S.-affiliated companies receive a monthly quota of timeslots, CLA Economic Branch Chief Lt. Colonel Michael Cirulnik said the problem is not limited to U.S. products, but extends to all private business conducting trade through Karni/al-Mintar. He asserted that, even if it had the authority to do so, the CLA could not give preference to one company over another, except in situations when humanitarian shipments were needed. He noted, for example, that the Pepsi bottler, Mohammed Yazgi who had been among the Gaza businessmen meeting with Press the week before, had waited five months for shipments of raw materials and had laid off 100 of his 180 employees. How, Cirulnik continued, could he facilitate imports of Coca-Cola but not help the Pepsi plant? ConGen Econoff interjected that during a visit to Karni/al-Mintar the previous month he had seen hundreds of cases of Israeli-produced soft drinks being transferred into Gaza. He suggested that what is needed is a transparent process.

¶17. (C) Referencing a meeting he had had the previous week

with prominent Gaza-based Palestinian businessmen, Press said he is well aware of the complaints about the call center. He advised that the Gaza businessmen had reported similar problems with unanswered calls and truckers' exorbitant fees.

Press said that he had approached IAA officials but was told that he had no authority over the subject and to mind his own business. Press, however, asked Acting FCS Chief to send him a letter outlining the problems which he would then use in raising the issue with "relevant authorities." (Note: FCS sent the requested letter to Press December 15, 2006. End Note.) He also requested information for a "test case" delayed shipment that he could discuss with the Karni/al-Mintar management. He opined that a "new mechanism" is needed in scheduling shipments through Karni/al-Mintar. He noted, however, that security threats to the crossings risked disrupting even the best of plans.

Good News On Containers

¶ 8. (C) Press advised that a promised change in the handling of containers at Karni/al-Mintar had been implemented December 10 whereby full containers of goods going into Gaza are now more quickly exchanged for empty containers coming out. He explained that the installation of a new conveyer for aggregate had freed up additional space at the crossing for the container swap. On the first day, 50 containers had gone in and 50 had come out. Press said he hoped to reach 80 containers each way per day in the near future. Press also said he hoped that the working hours at the crossing would be extended 1-2 hours per day in the coming weeks, resulting in 30-50 more trucks entering Gaza daily.

WALLES